Solarvest Holdings (SOLAR MK)

Record Orderbook; Strong Multi-Year Growth Trajectory

	BUY (Maintained)
Share Price	RM2.77
Target Price	RM3.00
Upside	+8.3%

Highlights

- Solarvest has been awarded its largest EPCC contract valued at RM1.06b for its 20%-owned 470MWac LSS5+ project in Perak, slated for commissioning by end-Feb 28. This brings orderbook to a record RM2.7b, reinforcing its ability to deliver top-line and net profit CAGR of 38% and 31% respectively over FY25-28F.
- The group has taken delivery of 110MW of modules that remain eligible for the 9% VAT export tax rebate. This exceeded earlier expectations of around 60MW of deliveries prior to the abolition of China's VAT export rebate.
- BUY on weakness with a target price of RM3.00, pegged to 25x FY28 EPS (+1SD from mean PE). Positive market sentiment on the back of higher orderbook can drive the stock to RM3.50/share, based on +2SD PER of 28x.

Analysis

- **Solarvest wins its largest EPCC award valued at RM1.06b.** In a *Bursa Malaysia* announcement, Solarvest Holdings (Solarvest) said the group has been awarded its largest engineering, procurement, construction and commissioning (EPCC) contract valued of RM1.06b. The contract involves the development of its 20%-owned Large Scale Solar 5+ (LSS5+) project in Larut dan Matang, Perak, which commands a capacity of 470MWac (690MWp). The project is slated for commissioning by end-Feb 28, and is expected to favourably contribute to the group's revenue and earnings over FY27-FY28.
- **A 26% market share in the LSS5+ EPCC space.** Together with its recent RM90m EPCC award for a 36MWac solar farm, Solarvest has secured an estimated 26% market share in the LSS5+ EPCC segment, broadly in line with its around 30% share in the utility-scale EPCC market. We expect Solarvest to continue securing additional EPCC awards as LSS5+ asset owners accelerate project execution to achieve financial close and meet targeted commercial operation dates (COD) by 4Q27-1Q28.
- **Record orderbook of RM2.7b underpins earnings visibility.** Importantly, we note that Solarvest's record orderbook of RM2.7b (8% residential and C&I + 92% utility-scale) in solar photovoltaic (PV) and battery energy storage system (BESS) EPCC contracts will now pave the way to deliver three-year earnings CAGR of 31% over FY25-28F.

Key Financials

Year to 31 Mar (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	497.0	536.8	767.9	1,141.1	1,402.4
EBITDA	62.5	97.0	136.0	168.2	197.9
Operating profit	55.1	83.7	119.6	149.3	176.4
Net profit (rep./act.)	32.6	51.9	75.2	97.0	116.7
Net profit (adj.)	32.6	51.9	75.2	97.0	116.7
EPS	4.9	7.0	8.0	10.3	12.4
PE	56.7	39.4	34.6	26.9	22.3
P/B	8.0	5.7	5.0	4.2	3.5
EV/EBITDA	30.6	23.0	20.4	16.5	13.4
Dividend yield	-	-	-	-	-
Net margin	6.6	9.7	9.7	8.3	8.1
Net debt/(cash) to equity	26.8	51.9	30.9	26.0	6.5
Interest cover	7.0	5.7	6.3	7.6	8.9
ROE	14.1	14.5	14.4	15.6	15.8
Consensus net profit	-	-	79.1	103.3	127.3
UOBKH/Consensus (x)	-	-	0.95	0.94	0.92

Source: Solarvest, Bloomberg, UOB Kay Hian

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Stock Data

GICS Sector	Industrials
Bloomberg ticker	SOLAR MK
Shares issued (m)	952.3
Market cap (RMm)	2,638.5
Market cap (US$m)	665.5
3-mth avg daily t'over (US$m)	3.8

Price Performance (%)

52-week high/low				RM3.39/RM1.60
1mth	3mth	6mth	1yr	YTD
14.5	(4.5)	(12.6)	71.0	(16.1)

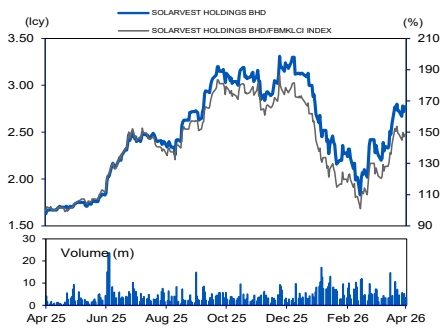
Major Shareholders %

Atlantic Blue Holdings	17.6
Lim Chin Siu	6.3
Urusharta Jamaah	6.3

Balance Sheet Metrics

FY26F NAV/Share (RM)	0.56
FY26F Net Debt/Share (RM)	0.17

Price Chart



Source: Bloomberg

Company Description

Solarvest Holdings, through its subsidiaries, provides engineering, procurement, construction, commissioning, management, and operation and maintenance services for solar projects.

- **Solid solar module procurement strategy.** Solarvest has reiterated its diversified and strong solar module procurement strategy, having secured up to 2 GW of solar modules at a competitive price (c.US$0.10/W) backed by a substantial advance payment of up to 10%. As at Mar 26, the group has taken delivery of 110MW of modules that remain eligible for the 9% VAT export tax rebate. This exceeded earlier expectations of around 60MW of deliveries prior to the abolition of China's VAT export rebate, representing a positive surprise.
- **490MW of solar modules remain exposed to VAT tax rebate cut…** Solarvest is currently engaging with existing clients to address the expected elevated solar module prices for the remaining 490 MW of deliveries following the removal of China's VAT export rebate. While project owners may have sufficient buffer to absorb part of the cost increase without materially impacting project IRRs, we believe Solarvest may be unable to fully pass through the incremental VAT-related costs across the entire 490 MW exposed volume, and may therefore absorb a portion of the cost pressure. Management has guided for a potential gross profit impact of up to RM50m, to be amortised over the contract period (FY27–FY28), should the group absorb the full VAT-related cost increase. This translates into an estimated 15-18% earnings drag over FY27-FY28, reflecting a 1ppt margin compression to 7%.
- **… with VAT cost pass-through for the remaining 1,400MW capacity.** Encouragingly, Solarvest remains confident in its ability to fully pass-through the incremental VAT export tax to clients for the remaining 1,400MW of secured solar module capacity. The additional cost will be incorporated into future engineering procurement construction and commissioning (EPCC) contracts, preserving margin resilience. Despite strong earnings growth, gross margins are expected to moderate to 23% (FY25: 28%), primarily due to a bigger proportion of lower-margin LSS projects (>50% of total revenue), with net margins remaining stable at 8-9%.

Valuation/Recommendation

- **Maintain BUY on weakness with a target price of RM3.00, pegged to 25x FY28 EPS (+1SD from mean PE).** We believe Solarvest's partnership with Brookfield is a strong lever that will pivot Solarvest into the next phase of growth. The partnership will pave the way for the group to lift orderbook meaningfully via the sizeable Corporate Renewable Energy Supply Scheme (CRESS) to the tune of 1.5GW over a three-to-five-year period.
- **Key re-rating catalysts** for the stock include: a) a stronger ringgit to offset rising solar PV costs; b) cost discipline to drive sustainable profit margins; c) pioneer CRESS contract wins; and d) eventual monetisation of solar assets either via listing or trade sale.

Environmental, Social, Governance (ESG)

Environmental

- Solarvest installed solar PV systems with a cumulative capacity of 986MWp for its customers in FY25, resulting in an impressive estimated reduction of 954,788 tonnes of carbon dioxide emissions.

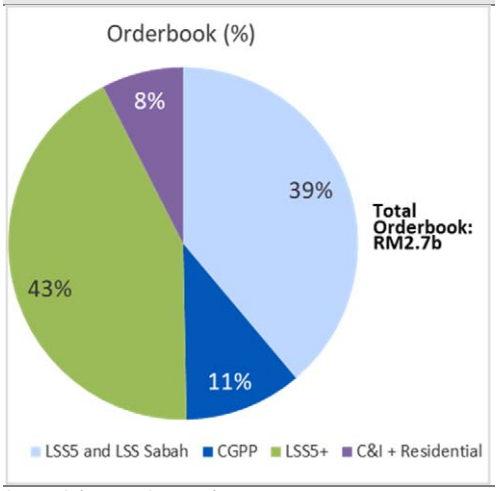
Social

- Solarvest fosters an inclusive, with women account for a meaningful share of professional and managerial roles, representing 42% of senior executives and 40% of executives.
- In FY25, the group allocated RM45,293 to community programmes that benefited 29,875 individuals and two organisations, across education, entrepreneurship, donations, and sponsorships.

Governance

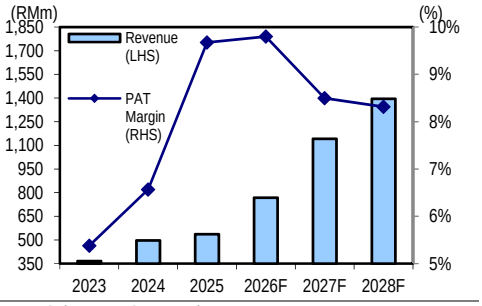
- The board comprises ten members consisting of six Independent Directors and four Non-Independent Directors. Meanwhile, women comprise 30% (three directors) of the board.

Current Orderbook



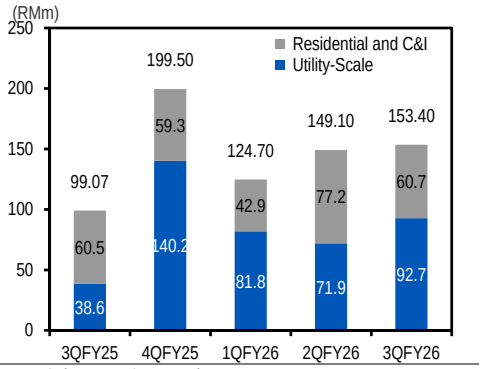
Source: Solarvest, UOB Kay Hian

Earnings And Margins Trend



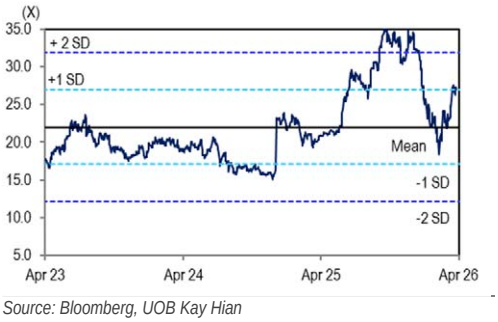
Source: Solarvest, UOB Kay Hian

Quarterly Revenue Breakdown



Source: Solarvest, UOB Kay Hian

Solarvest Three-year PE Band



Source: Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Mar (RMm)	2025	2026F	2027F	2028F
Net turnover	536.8	767.9	1,141.1	1,402.4
EBITDA	97.0	136.0	168.2	197.9
Deprec. & amort.	(13.3)	(16.3)	(19.0)	(21.5)
EBIT	83.7	119.6	149.3	176.4
Associate contributions	2.6	3.5	5.3	5.9
Net interest income/(expense)	(9.5)	(12.6)	(11.4)	(10.5)
Pre-tax profit	74.2	107.0	137.9	165.9
Tax	(20.8)	(29.4)	(37.9)	(45.6)
Minorities	(1.4)	(2.3)	(3.0)	(3.6)
Net profit	51.9	75.2	97.0	116.7
Net profit (adj.)	51.9	75.2	97.0	116.7

Balance Sheet

Year to 31 Mar (RMm)	2025	2026F	2027F	2028F
Fixed assets	273.1	310.6	360.1	408.7
Other LT assets	79.4	79.4	79.4	79.4
Cash/ST investment	85.0	107.6	103.0	212.4
Other current assets	590.2	662.8	758.1	734.6
Total assets	1,027.8	1,160.4	1,300.7	1,435.2
ST debt	142.5	135.4	128.6	122.2
Other current liabilities	322.4	287.2	332.4	351.0
LT debt	181.2	187.2	189.1	191.2
Other LT liabilities	18.8	18.8	18.8	18.8
Shareholders' equity	357.4	524.0	621.0	737.7
Minority interest	5.4	7.7	10.7	14.4
Total liabilities & equity	1,027.8	1,160.4	1,300.7	1,435.2

Cash Flow

Year to 31 Mar (RMm)	2025	2026F	2027F	2028F
Operating	(87.5)	(14.0)	68.8	183.9
Pre-tax profit	74.2	107.0	137.9	165.9
Tax	(20.6)	(29.4)	(37.9)	(45.6)
Deprec. & amort.	13.3	16.3	19.0	21.5
Associates	(1.0)	-	-	-
Working capital changes	(60.5)	(107.9)	(50.1)	42.1
Other operating cashflows	(92.9)	-	-	-
Investing	(97.1)	(53.8)	(68.5)	(70.1)
Capex (growth)	(74.8)	(53.8)	(68.5)	(70.1)
Proceeds from sale of assets	0.1	-	-	-
Others	10.4	-	-	-
Financing	210.8	90.3	(5.0)	(4.3)
Dividend payments	0.3	-	-	-
Issue of shares	74.0	91.4	-	-
Proceeds from borrowings	144.8	(1.1)	(5.0)	(4.3)
Others/interest paid	(8.4)	-	-	-
Net cash inflow (outflow)	26.3	22.6	(4.6)	109.4
Beginning cash & cash equivalent	60.5	87.2	109.9	105.2
Ending cash & cash equivalent	87.2	109.9	105.2	214.7

Key Metrics

Year to 31 Mar (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	18.1	17.7	14.7	14.1
Pre-tax margin	13.8	13.8	11.9	11.7
Net margin	9.7	9.7	8.3	8.1
ROA	5.1	6.5	7.5	8.1
ROE	14.5	14.4	15.6	15.8
Growth				
Turnover	8.0	43.0	48.6	22.9
EBITDA	55.2	40.2	23.7	17.7
Pre-tax profit	57.2	44.3	28.9	20.3
Net profit	59.2	44.9	28.9	20.3
Net profit (adj.)	59.2	44.9	28.9	20.3
EPS	59.2	44.9	28.9	20.3
Leverage				
Debt to total capital	0.6	0.4	0.4	0.3
Debt to equity	0.9	0.6	0.5	0.4
Net debt/(cash) to equity	0.5	0.3	0.3	0.1
Interest cover (x)	5.7	6.3	7.6	8.9

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